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IMAX CORP
Form 8-K
November 12, 2003

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): November 10, 2003

IMAX CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

CANADA

(State or Other Jurisdiction of Incorporation)

0-24216

98-0140269

(Commission File Number) (I.R.S. Employer Identification No.)

2525 SPEAKMAN DRIVE, SHERIDAN PARK, MISSISSAUGA, ONTARIO L5K 1B1

(Address of Principal Executive Offices) (Zip Code)

(905) 403-6500

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

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ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On November 10, 2003, IMAX Corporation (the "Company") issued a press release announcing the Company's financial and operating results for the quarter

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ended September 30, 2003, a copy of which is attached below.

The information in this current report on Form 8-K, including the Exhibit attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference to in such filing.

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[IMAX LOGO]

IMAX CORPORATION

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IMAX CORPORATION REPORTS THIRD QUARTER RESULTS

HIGHLIGHTS

- o The Matrix Revolutions: The IMAX Experience breaks box office records, grossing over \$3 million in 48 IMAX(R) theatres in North America in its first five days.
- o Net losses of \$0.07 per share consistent with guidance. Company expects to earn \$0.10 to \$0.15 for all of 2003 before a potential one-time charge.
- o Company reduces debt by an additional \$15.7 million in October.
- o Commercial business momentum continues with five theatre systems signings in third quarter and three additional signings since September.

Toronto, Canada - November 10, 2003 - IMAX Corporation (Nasdaq:IMAX; TSX:IMX) today reported net losses of \$0.07 per share on a basic and fully diluted basis, including a gain of \$0.01 from discontinued operations, for the quarter ended September 30, 2003. The results compare to net losses of \$0.07 in the comparable period of 2002 and are consistent with guidance. Net losses from continuing operations were \$0.08 per share on a basic and fully diluted basis for the third quarter ended September 30, 2003, as compared to losses from continuing operations of \$0.13 per share for the three months ending September 30, 2002.

On November 5th, The Matrix Revolutions: The IMAX Experience, the first contemporaneous release of a live-action Hollywood event film in IMAX and 35mm theatres, set numerous one-day and weekend box office records, grossing over \$3 million on 48 screens in North America, an average of almost \$65,000 per screen, over its five-day opening. The international IMAX screens also performed exceptionally well, selling out the majority of shows while charging premiums of up to three times the ticket price at conventional theatres.

"The results from our first contemporaneous release are in, and we couldn't possibly be happier with the performance," said IMAX Co-Chief Executive Officers Richard L. Gelfond and Bradley J. Wechsler. "In many IMAX theatres the only limiting factor was running out of seats, with most of the IMAX network sold out for the majority of the weekend. We believe these results, which come on the heels of a highly successful IMAX release of The Matrix Reloaded, further

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solidify IMAX's place in the release strategy for Hollywood event films."

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The Matrix Revolutions: The IMAX Experience is the most successful opening of an IMAX(R) DMR(TM) release to date. The North American per-screen revenue for the film's three-day weekend, at \$37,000, was more than double that of The Matrix Reloaded: The IMAX Experience in its first weekend. Additionally, on just its opening day, The Matrix Revolutions: The IMAX Experience earned approximately \$16,000 per screen selling out 6:00 a.m. shows across the west coast and charging an average adult ticket price of over \$11.00, a premium of greater than \$2.50 versus conventional theatres. Independent research performed over this initial period was also very positive, indicating that 87% of those polled who saw the film at an IMAX theatre would recommend seeing the film to others who had already seen it in a 35mm theatre.

In October, the Company retired an additional \$15.7 million in outstanding senior notes through a series of debt-for-equity transactions, lowering the principal amount of its outstanding notes to \$153 million. Separately, the Company announced that it plans to refinance all of its outstanding debt through an offering of new senior notes with a proposed maturity of 2010. The Company may take a charge to its earnings in the fourth quarter in relation to this proposed offering.

"We remain pleased with IMAX's financial results, which reflect the seasonality of our business and show a continued improvement over last year's performance," said Messrs. Gelfond and Wechsler. "We believe that many of the initiatives that IMAX is currently undertaking will be reflected in our financial results in 2004 and beyond, as our IMAX DMR technology and lower cost IMAX(R) MPX(TM) projection system begin to have an accelerating effect on new theatre signings." Messrs. Gelfond and Wechsler indicated that the Company expects to earn between \$0.25 and \$0.35 per share in 2004, approximately double the Company's expected 2003 earnings.

During the quarter, the Company signed new contracts for five IMAX theatre systems, including additional theatres to be opened by current IMAX customers in China and Moscow and a deal with Bella Films in Missouri, launching an initiative that may include future contracts for additional IMAX theatres. Subsequent to the end of the quarter, the Company signed deals for three additional systems, including a contract for two IMAX MPX theatres with a commercial property developer in Dubai, UAE.

During the first nine months of 2003, the Company signed contracts for 18 theatre systems as compared to 10 during the first nine months of 2002. Trailing 12-month IMAX theatre systems signings stand at 29, which is an increase of over 60% compared to 18 signings during the prior 12-month period.

In the third quarter, the Company's total revenues were \$21.4 million as compared to \$23.2 million in the prior year period. IMAX systems revenue was \$11.5 million versus \$9.6 million in the prior year period, as the Company recognized revenues on one theatre system in the third quarter of 2003, consistent with the one theatre system installed during the in the third quarter of 2002. Film revenue was \$5.3 million versus \$9.8 million in the third quarter of 2002, a decline primarily due to last year's release of the Company's record-breaking film SPACE STATION. Other revenue was \$4.7 million in the quarter versus \$3.8 million in the third quarter of 2002.

For the nine months ended September 30, 2003, the Company's revenues were \$90.2 million as compared to \$93.3 million in the prior-year period. Systems revenue

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was \$55.9 million versus \$50.7 million in the prior year period, as the Company recognized revenues on 15 theatre systems as compared to 11 theatre systems in the prior-year period. Films revenue was \$19.6 million compared to \$29.1 million. Other revenue was \$14.7 million versus \$13.6 million. For the nine months ended September 30, 2003, the company broke even in terms of net earnings per share from continuing operations on a fully diluted basis. During the first nine months of 2002, the Company earned \$0.34 per share, which included a gain of \$12 million from the repurchase of certain of the Company's subordinated notes.

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The Company will be hosting a conference call to discuss these results at 10:30 AM EDT. To access the call interested parties should call (719) 457-2727.

ABOUT IMAX CORPORATION:

Founded in 1967, IMAX Corporation is one of the world's leading entertainment technology companies. IMAX's businesses include the creation and delivery of the world's best cinematic presentations using proprietary IMAX and IMAX(R) 3D technology, and the development of the highest quality digital production and presentation. IMAX has developed revolutionary technology called IMAX DMR (Digital Re-mastering) that makes it possible for any 35mm film to be transformed into the unparalleled image and sound quality of The IMAX Experience(R). The IMAX brand is recognized throughout the world for extraordinary and immersive family experiences. As of September 30 2003, there were more than 235 IMAX theatres operating in 35 countries.

IMAX(R), IMAX(R) 3D, IMAX(R)DMR(TM) and The IMAX Experience(R) are trademarks of IMAX Corporation. More information on the Company can be found at www.imax.com.

This press release contains forward looking statements that are based on management assumptions and existing information and involve certain risks and uncertainties which could cause actual results to differ materially from future results expressed or implied by such forward looking statements. Important factors that could affect these statements include the timing of theatre system deliveries, the mix of theatre systems shipped, the timing of the recognition of revenues and expenses on film production and distribution agreements, the viability of new businesses and products, and fluctuations in foreign currency and in the large format and general commercial exhibition market. These factors and other risks and uncertainties are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and in the subsequent reports filed by the Company with the Securities and Exchange Commission.

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For additional information please contact:

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IMAX CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
 (in thousands of U.S. dollars, except per share amounts)
 (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		
	2003	2002	
REVENUE			
IMAX systems	\$ 11,455	\$ 9,574	\$
Films	5,275	9,786	
Other	4,697	3,819	
	21,427	23,179	
COSTS OF GOODS AND SERVICES	12,081	16,397	
GROSS MARGIN	9,346	6,782	
Selling, general and administrative expenses	8,265	7,564	
Research and development	952	900	
Amortization of intangibles	181	339	
Income from equity-accounted investees	(228)	(167)	
Receivable provisions, net of (recoveries)	(425)	(1,173)	
Restructuring recoveries	-	(497)	
EARNINGS (LOSS) FROM OPERATIONS	601	(184)	
Interest income	105	106	
Interest expense	(3,606)	(4,299)	
Gain (loss) on retirement of notes	(146)	17	
Recovery on long-term investments	355	-	
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(2,691)	(4,360)	
Recovery of (provision for) income taxes	(163)	-	
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	(2,854)	(4,360)	
Net earnings from discontinued operations	200	2,066	
NET EARNINGS (LOSS)	\$ (2,654)	\$ (2,294)	\$
EARNINGS (LOSS) PER SHARE:			
Earnings (loss) per share - basic and fully diluted:			
Net earnings (loss) from continuing operations	\$ (0.08)	\$ (0.13)	\$
Net earnings from discontinued operations	\$ 0.01	\$ 0.06	\$
Net earnings (loss)	\$ (0.07)	\$ (0.07)	\$

Weighted average number of shares outstanding (000's):

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Basic	37,091	32,962
Fully diluted	37,091	32,962

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IMAX CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
 (in thousands of U.S. dollars)

	SEPTEMBER 30, 2003 (UNAUDITED)	D
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ASSETS		
Cash and cash equivalents	\$ 23,595	\$
Accounts receivable, less allowance for doubtful accounts of \$9,192 (2002 - \$9,248)	13,285	
Financing receivables	53,914	
Inventories	29,012	
Prepaid expenses	2,999	
Film assets	580	
Fixed assets	40,242	
Other assets	8,801	
Deferred income taxes	3,821	
Goodwill	39,027	
Other intangible assets	3,765	

Total assets	\$ 219,041	\$
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LIABILITIES		
Accounts payable	\$ 6,115	\$
Accrued liabilities	44,824	
Deferred revenue	68,529	
Senior notes due 2005	168,475	
Convertible subordinated notes due 2003	-	

Total liabilities	287,943	

COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY (DEFICIT)		
Common stock - no par value. Authorized - unlimited number Issued and outstanding - 37,353,298 (2002 - 32,973,366)	98,695	
Other equity	2,440	
Deficit	(170,682)	
Accumulated other comprehensive income	645	

Total shareholders' equity (deficit)	(68,902)	

Total liabilities and shareholders' equity (deficit)	\$ 219,041	\$
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

IMAX CORPORATION
(Registrant)

Date: November 10, 2003

By: /s/ Richard L. Gelfond

Name: Richard L. Gelfond
Title: Co-Chairman and
Co-Chief Executive Officer